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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR AN ORDER) Case No. 2002-00485
APPROVING REVISED DEPRECIATION RATES)

AGREED ORDER

On December 30, 2002, Jackson Purchase Energy Corporation ("JPEC") filed its application for an order approving revised depreciation rates. Comprised in the filing was a depreciation study of distribution assets by JPEC and RUS and a general asset study by JPEC. The attorney general's office of rate intervention (hereinafter "OAG") requested intervener status in the case and was granted full status by the commission.

A telephonic informal conference was held on May 6, 2003, and after that conference, JPEC filed an amended application. The depreciation treatment of distribution assets was not yet agreed upon. The parties met in Frankfort on July 31, 2003, and reached a tentative agreement on the distribution system depreciation rates was made, subject to RUS approval. Thereafter, RUS voiced objections to the modified rates and a further telephonic conference was held on October 7, 2003, with attorneys and/or representatives of JPEC, Office of Attorney General - Rate Intervention, RUS, and PSC staff. Upon the conclusion of the telephone conference JPEC and OAG agreed to submit the following terms and conditions to the PSC as an Agreed Order:

1. Effective January 1, 2003, JPEC shall implement depreciation rates for its distribution system in conformity with the depreciation study prepared by RUS and JPEC, and any amendments thereto, which study was filed as Exhibit II to the Initial Application filed

herein, which study and exhibit was amended and revised by Exhibit VI of the Second Amended Application.

2. Effective January 1, 2003, JPEC shall implement depreciation rates for its general assets in conformity with the depreciation study, and any amendments thereto, prepared by Charles G. Williamson, III, CPA and applicant's Vice President, Finance and Accounting. The aforesaid study was filed herein as Exhibit III to the initial Application which study and exhibit was amended and revised by Exhibit VIII of the Second Amended Application.

3. JPEC agrees that upon the fifth anniversary of the entry of this Agreed Order, or its filing for a General Rate Adjustment, whichever occurs first, it shall submit to the PSC fully updated supplements to each of the depreciation studies referred to herein. Copies of each supplemental study shall also be sent to the Office of the Attorney General, Office for Rate Intervention. Upon the receipt of the supplemental studies the PSC or Office of Rate Intervention may take such actions as they may deem appropriate. Further, this Agreed Order shall not constitute a binding precedent for or against any party, during any subsequent review and/or adjustment of the Applicants depreciation rates.

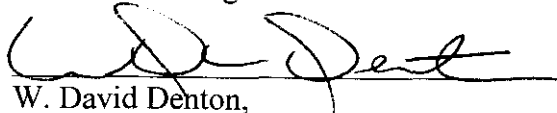
4. From the date of this Agreed Order until further orders of the PSC, JPEC shall account for salvage value and cost of removal by distribution account. JPEC shall file not less than annually a report depicting the existing balances in each of the aforesaid accounts.

5. Jackson Purchase Energy Corporation is hereby permitted to collect and amortize its GIS mapping costs over an eight-year period.

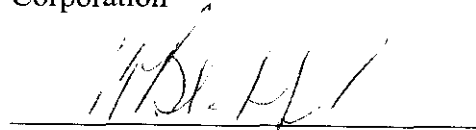
Done at Frankfort, Kentucky, this _____ day of _____, 2003.

By the Commission

Have seen and agreed to:

A handwritten signature in black ink, appearing to read "W. David Denton", written over a horizontal line.

W. David Denton,
Attorney for Jackson Purchase Energy
Corporation

A handwritten signature in black ink, appearing to read "Elizabeth Blackford", written over a horizontal line.

Elizabeth Blackford,
Assistant Attorney General